National Energy Board | Office national de l'énergie

Quarterly Financial Report
For the quarter ended December 31, 2016

Statement outlining results, risks and significant changes in operations, personnel and program

Introduction

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with the *Main Estimates* and *Supplementary Estimates*;
- has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board; and
- has not been subject to an external audit or review.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates*.

The Board's strategic priorities are: Leading Regulatory Excellence, Taking Action on Safety and Engaging with Canadians.

The NEB receives its funding through annual Parliamentary authorities. The majority of expenditures are subsequently recovered from the companies regulated by the NEB and the funds are deposited in the Consolidated Revenue Fund of the Government of Canada.

Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2016-17 fiscal years. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The National Energy Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Planned expenditures analysis

As reflected in the *Statement of Authorities*, the department's planned expenditures in the fiscal year as at March 31, 2017 is $93.06 million, as compared to $79.86 million as at March 31, 2016. The increase of $13.67 million is primarily due to the net impact of an increase of $18.29 million for Energy Transportation Infrastructure (Budget 2015), an increase of $0.83 million for the Review of Federal Environment Assessments (Budget 2016) and a decrease of $5.50 million for Regulatory Reviews of Mega Energy Projects (Budget 2014).

Please note that both the previous two fiscal years have included operational budget carry forward of $3.28 million and $3.03 million in 2016-17 and 2015-16, respectively.

Actual Expenditures analysis

As reflected in the *Departmental Budgetary Expenditures by Standard Object*, the total budgetary authority used in the year to December 31, 2016 is $58.05 million, as compared to $55.90 million for the same period last year. The increase of $2.15 million in actual expenditures is primarily due to the following:

- Personnel expenditures to date increased by $1.71 million as compared to the same period last year primarily due to an increase of statutory spending of $0.39 M as a result of funding received for Energy Transportation Infrastructure, an increase of $1.24 million related to new hiring and increment as well as an increase of $0.11 million of severance payout.

- Professional and special services to date increased by $0.99 million as compared to the same period last year. This is mainly associated to an increase of IT services of $0.51 million for Government of Canada Initiatives, such as data visualization, website renewal and PeopleSoft, $0.19 for Strategic IT security planning, security training and awareness, and translation costs of $0.10 million mainly related to Trans Mountain Pipeline Expansion Project (TMX) and Financial Regulatory Audit Reports as well as $0.13 million for executive search services and assessment of candidates

- Rentals to date decreased by $0.59 million as compared to the same period last year primarily related to a decrease of $0.11 million for program fees for Human Resource Information Systems (HRIS), a decrease of $0.26 million for Vancouver office lease and a decrease of $0.22 million for hotel room rental in 2015-16 related to the TMX hearing process.

Risks and Uncertainties

Due to the nature of its mandate, the NEB's expenditures are influenced by planned and unplanned events (internal and external) that create uncertainty in expenditure and resource pressures. The NEB's responsibilities are not only shaped by emerging energy trends, but also by the proactive consideration of safety, environmental, societal and economic trends that may influence the NEB's ability to carry out its responsibilities in the Canadian public interest.

Significant Changes in Relation to Operations, Personnel and Programs

The National Energy Board is developing a new results framework and is aligning resources and structure of the organization to priorities and results.

Approval by Senior Officials

Approved by,

Original signed by

C. Peter Watson, P. Eng. FCAE

Chair and CEO

Original signed by

Paula Futoransky

Chief Financial Officer

(Calgary, Canada)
(15 February 2017)

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STATEMENT OF AUTHORITIES (unaudited)

(in thousands of dollars)	Fiscal year 2016-2017			Fiscal year 2015-2016		
	Planned expenditures for the year ending March 31, 2017*	Expended during the quarter ended December 31, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016*	Expended during the quarter ended December 31, 2015	Year to date used at quarter-end
Vote 1 - Net Operating Expenditures	84,550	17,692	51,417	71,679	17,673	49,763
Contributions to employee benefit plans	8,982	2,211	6,633	8,184	2,046	6,138
Total Budgetary authorities	**93,532**	**19,903**	**58,050**	**79,863**	**19,719**	**55,901**
Non-budgetary authorities						
Total authorities	**93,532**	**19,903**	**58,050**	**79,863**	**19,719**	**55,901**

More information is available in the attached table.

** Includes only Authorities available for use and granted by Parliament at quarter-end.*

DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

(in thousands of dollars)	Fiscal year 2016-2017			Fiscal year 2015-2016		
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended December 31, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended December 31, 2015	Year to date used at quarter-end
Expenditures:						
Personnel	61,091	16,420	47,888	56,970	15,584	46,181
Transportation and communications	5,228	879	2,262	3,617	877	2,212
Information	498	51	272	689	65	159
Professional and special services	18,965	1,859	5,399	12,963	2,180	4,406
Rentals	1,494	89	321	689	317	910
Repair and maintenance	996	153	707	689	104	613
Utilities, materials and supplies	498	109	233	344	101	271
Acquisition of land, buildings and works	-	-	28	-	-	6
Acquisition of machinery and equipment	498	105	271	1,206	41	112
Transfer payments	4,264	240	665	3,214	490	1,060
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	-	(2)	4	-	(1)	10
Total gross budgetary expenditures	**93,532**	**19,903**	**58,050**	**80,381**	**19,758**	**55,940**
Less						
Total Revenues netted against expenditures	-	-		**518**	**39**	**39**
Total net budgetary expenditures	**93,532**	**19,903**	**58,050**	**79,863**	**19,719**	**55,901**